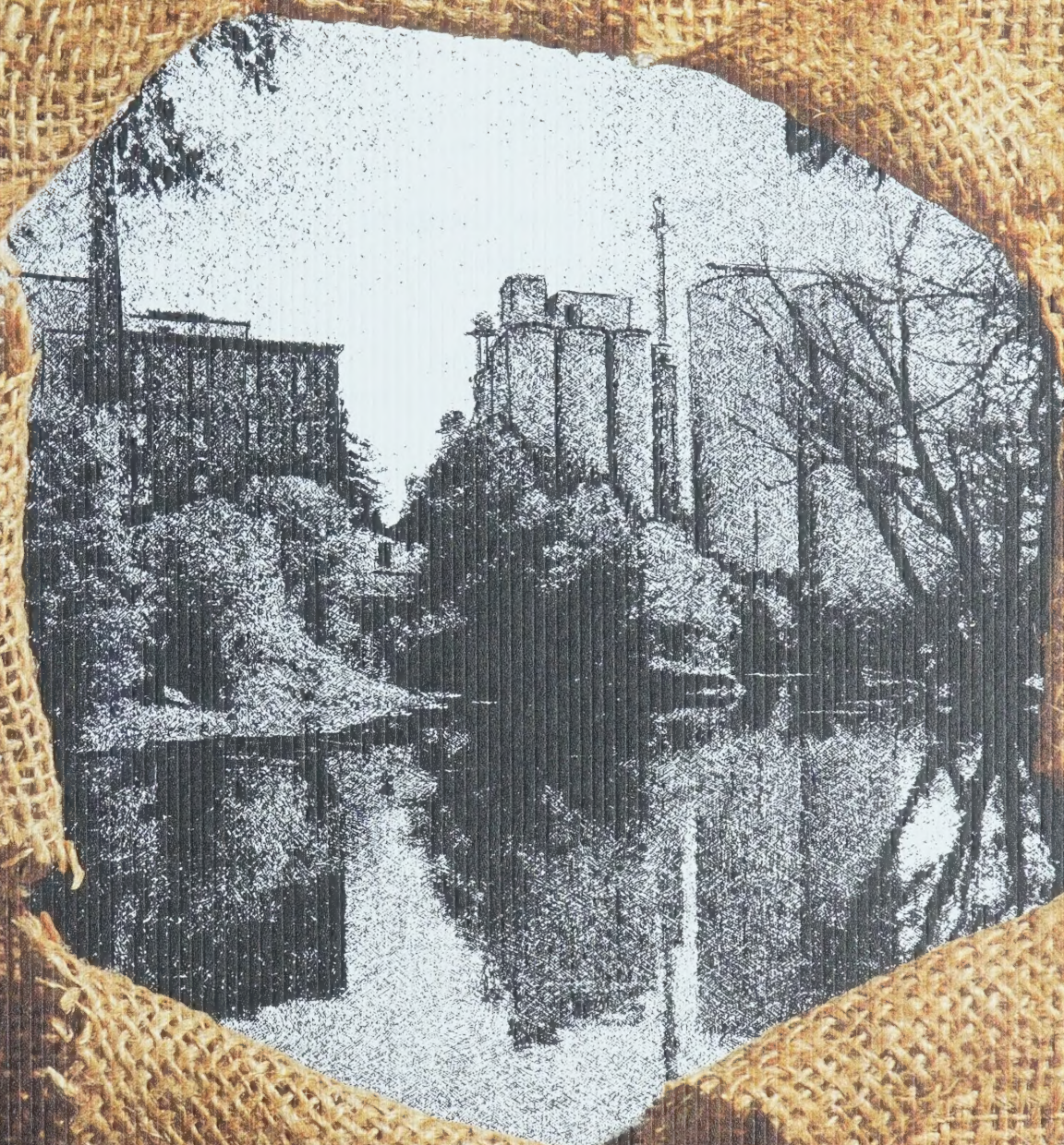


AR42



Dover
Industries
Limited

ANNUAL REPORT 1979

Directors

Mrs. Kenneth L. Campbell

Toronto - President
Dover Industries Limited

Hon. John M. Godfrey, Q.C.

Toronto - Senator

William O. Morrow

Halifax - President
National Sea Products Limited

John R. McPhee

Hamilton - Vice-President Finance
and Secretary-Treasurer
Dover Industries Limited

William H. Pinchin

Midland - Director
Dover Mills Limited

Gordon R. Sharwood

Toronto - President
Sharwood and Company

Thomas G. Shea

Mississauga - Vice-President
Dover Industries Limited

Donald Smith

Cambridge - Vice-President
Dover Industries Limited

John M. Vallance

Hamilton - Purchasing agent
Vallance Brown and Company Limited

Douglas H. Ward

Toronto - Chairman
Dominion Securities Limited

C. Lyle Weckman

Halifax - Vice-President
Dover Industries Limited

Douglas H. Wigle

Burlington - Executive Vice-President
Dover Industries Limited

Executive Officers

Mrs. Kenneth L. Campbell

President

Douglas H. Wigle

Executive Vice-President

David G. Green

Vice-President and General Manager
Robinson Cone Division

Frank Manning

General Manager
Howell Packaging Division

John R. McPhee

Vice-President Finance
and Secretary-Treasurer

Thomas G. Shea

Vice President
Corporate Development

Donald Smith

Vice-President and General Manager
Ontario Flour and Grain Divisions

C. Lyle Weckman

Vice-President and General Manager
Dover Mills, Halifax

Ted T. Molnar

Assistant Secretary

Operating Divisions

Dover Flour Mills

Chatham and Cambridge, Ontario

Howell Packaging

Burlington, Ontario

Robinson Cone

Hamilton, Ontario

Taylor Grain

Chatham, Ontario
Grain Elevators at
Louisville, Ontario
Thamesville, Ontario
Tupperville, Ontario

Operating Company

Dover Mills Limited

Halifax, Nova Scotia

Transfer Agent

Canada Permanent Trust Company

Toronto, Ontario

Head Office

Dover Industries Limited

145 MacNab Street North
Hamilton, Ontario



**Dover
Industries
Limited**

This Dover Flour Mill has been in operation beside the Speed River in Cambridge, Ontario, since 1807. It has a proud history which denotes stability and satisfied customers. The recent expansion to the facilities in Cambridge enables them to continue the tradition of quality established many years ago beside the Speed River.

Expansion 1979

**DOVER FLOUR MILLS
CAMBRIDGE, ONTARIO**

A plaque bearing the words "Oldest place of continuous business in Waterloo County" was placed on the Cambridge mill some years ago by the Waterloo County Historical Society. The inscription lists the owners of the mill starting with Joseph Erb, who built a grist mill beside the Speed River in 1807. The original mill was a frame building using stones to grind the wheat grown by area farmers.

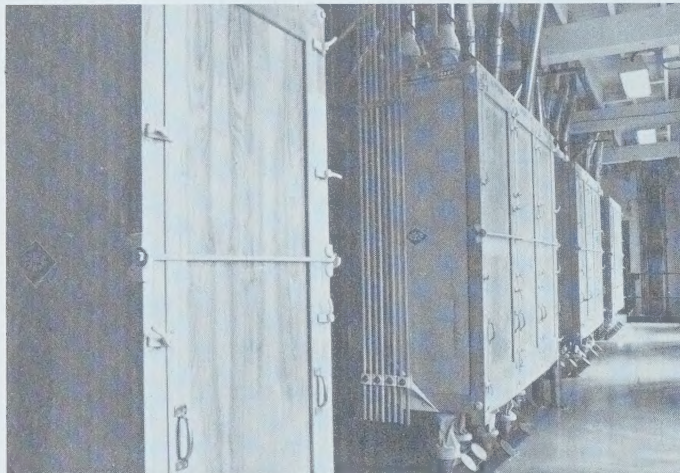
In 1879, Samuel J. and John Cherry replaced the millstones with the then new Hungarian system of rollers.

...the historical plaque



As Canada's population grew and transportation was improved, custom milling gradually disappeared. The introduction of cereal chemistry hastened the development of flour milling into a highly specialized industry. Flour was milled for specific uses: for bread, cakes, pastry, biscuits, bagels and other new products that were developed for the changing and expanding tastes of Canadians.

...new Great Western sifters from the United States

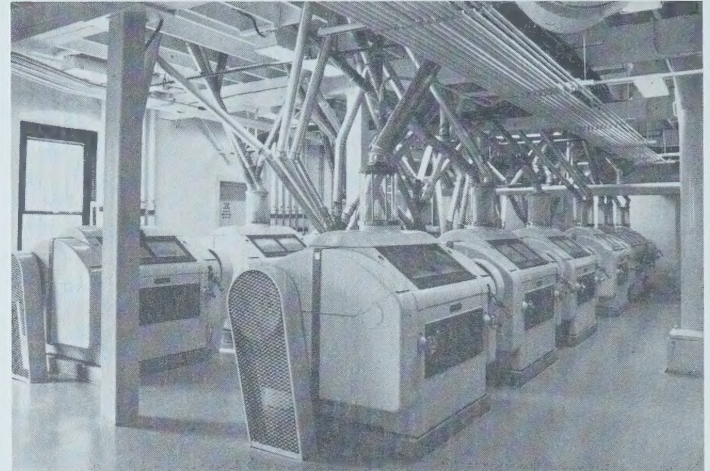


Uniformity of product, efficiency of operation and high standards of hygiene were maintained at the riverside mill over the years, by the introduction of new equipment and methods. Despite the changes, a link with the past by using a water wheel to provide the power for driving the mill equipment, was retained until recently.

While the process of milling wheat to produce flour is centuries old, only the most sophisticated equipment and methods can provide the supply demanded by the food industry. Mr. Donald Smith, Vice-President and General Manager of the Dover Flour Mills, Cambridge, was responsible for the planning and renovating. An almost complete new facility has been built in the shell of the historic old building. The size of the building has been expanded by the addition of new

storage and shipping space. The entire milling operation, from wheat receiving to flour shipping has been rebuilt using the latest equipment from Canada, the United States and Switzerland.

...today's Buhler roll stands from Switzerland



The result is a dramatic increase in production capacity. The mill can now produce about 130 tonnes (2,800 hundredweight) of flour per day, about 2 1/2 times more than our previous capacity.

As wheat arrives in the mill, it is weighed on our new computerized scales before passing through numerous milling operations, including a sophisticated system of pneumatic lifts which have replaced the old bucket elevators. As a result, the product is moved within a totally enclosed

...new ISCA computerized scales from Great Britain



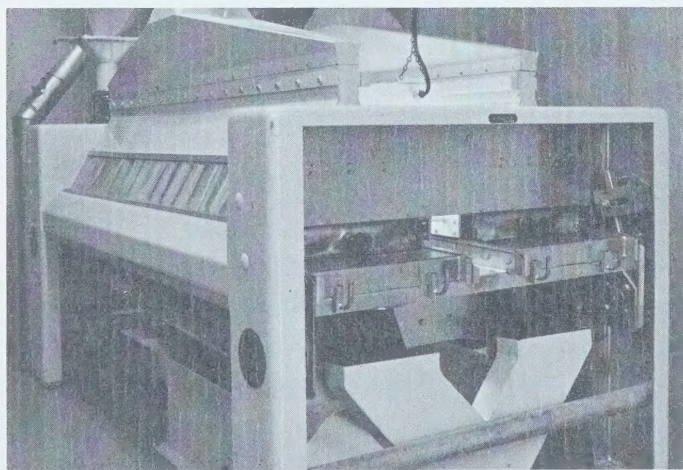
**...today's sophisticated control panel
from Kitchener, Ontario**



network of gleaming metal tubes, ensuring a high standard of cleanliness. Moisture meters constantly monitor the milled wheat to maintain a consistent quality.

A major expenditure in the modernization program was on equipment to remove dust and other impurities. As the milling machines process the wheat through its various stages, an exhaust system connected to each machine extracts, cleans and returns air at the rate of 26,000 cubic feet per minute. The returning air is

...Buhler concentrator, part of the most sophisticated wheat cleaning system in Canada



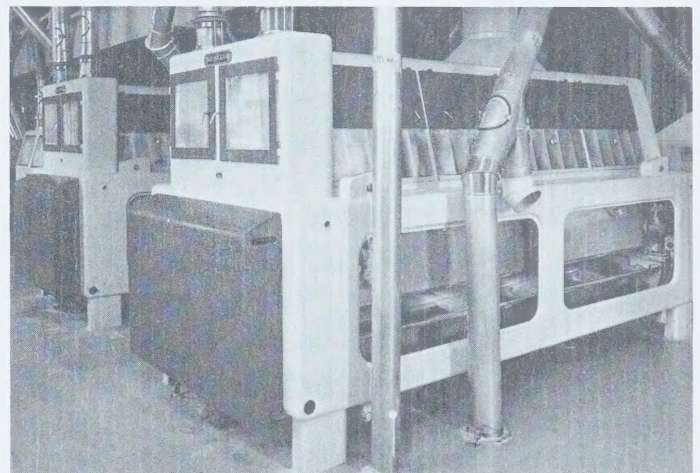
so clean that in winter, it is recycled and used in the mill to supplement the heating system.

The finished flour is stored in 18 bulk bins which, together with three bins for storing bran and shorts, have been

installed in a massive addition at the front of the mill. Each bin holds 27 tonnes (60,000 pounds) and is linked to the others to enable blending to take place as part of the shipping operation.

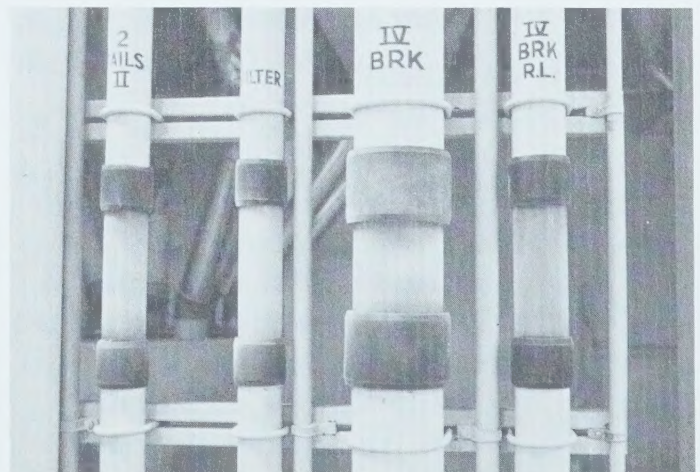
Flexible and convenient shipping facilities, with a discharge capacity of 36 tonnes (40 tons) per hour enables the change from a bulk tanker shipment to fulfilling an order for flour in bags, very easy.

...new purifiers



The modernization of an historic building and the installation of sophisticated equipment ensures the customers of a high-quality product. The flours are produced in a highly hygienic atmosphere using efficient methods that the customers rely upon.

**...new hygienic pneumatic lifts carrying product
between stages in the milling process**





REPORT OF DIRECTORS

Your Directors herewith present the 39th Annual Report of Dover Industries Limited including the Consolidated Statement for the year ending December 31, 1979 and five year Financial Summary.

Your Company set records for both sales and earnings in 1979. Sales were \$47,165,156 an increase of 18% over 1978 when sales were \$39,955,913.

Net Earnings during 1979 increased to \$1,695,257 from \$1,517,120 which, after payment of dividends on preferred shares were equal to \$1.91 per common share, an increase of \$0.21 from \$1.70 in 1978.

During the past fiscal year your Company paid quarterly dividends of \$0.175 for a total of \$0.70 per common share. Dividends of \$0.15 per quarter on preferred shares were also paid for a total of \$0.60 per share.

Working capital increased to \$5,401,484 in 1979 from the previous year of \$4,224,612 and is considered adequate for planned capital requirements in the immediate future.

Inventories were higher at \$7,673,722 compared to \$6,459,516 in 1978.

It should be noted the Articles of Continuance under the Canada Business Corporations Act will be presented for Shareholder approval at the Annual and Special General Meeting, to pass a Resolution under the Canada Business Corporations Act authorizing continuance of the Company, and in conjunction therewith,

the amendment of the Company's charter by, among other things:

- (a) the name of the company to be expanded to include the French version "Les Industries Dover Limitée". This addition is considered appropriate in view of the operations of the Company in the Province of Quebec.
- (b) as permitted by the Canada Business Corporations Act, instead of fixed number of directors, there will be a minimum of 10 directors and a maximum of 15 directors.

REVIEW OF OPERATIONS

Robinson Cone:

Sales for the year showed continued growth in all product lines of cones, packaging and plastics. Extension of product lines and improvement in market share are the primary reasons for the increases. Manufacturing controls, new equipment and increased sales contributed to higher earnings. Planned expansion of facilities beginning in 1980, will position us for future growth.

Howell Packaging:

Sales for the year were substantially ahead of 1978, however, increased inventory costs affected earnings. Industry problems in 1979 had a serious affect on order patterns resulting in abnormally high inventories in the folding carton business, however, a return to more normal conditions has now taken place and we are confident that 1980 profits will be substantially improved.

Taylor Grain:

Operating profit for the year was higher than

1978, although increased interest costs reduced overall profitability. The outlook for 1980 is strong and the planned improvement of the Thamesville elevator will contribute to increased efficiency of operations.

Dover Flour Mills (Ontario Division):

The modernization of the Cambridge Flour Mill was completed in 1979, and the official opening was held June 12.

Results of the new Mill are very encouraging even though anticipated volumes had not materialized until the latter part of the year.

The Chatham Mill continued to be reliant for a major portion of their volume on Export Sales.

Subsidiary Company:

Dover Mills Limited — Halifax:

Dover Mills Limited Halifax operating profits increased substantially in 1979, due to increased return in byproducts and higher milling efficiencies. Domestic sales were steady with improved chain store distribution. Commercial export to the Caribbean continued to decline, and because of the new mill facilities in the Caribbean, this volume will be a smaller factor in 1980. Export sales held steady in 1979, but we expect a decline of up to 25 per cent in 1980, which will result in some increase in domestic competition.

In summary, your Company continued to show satisfactory earnings for 1979 and we remain optimistic that the Canadian markets which we service, will continue to show reasonable market growth as we enter the 1980's.

PERSONNEL:

Mr. Thomas G. Shea was appointed Vice-President, Corporate Development for the Company. Mr. Frank A. Manning was appointed General Manager and Mr. Garry D. Flaherty, Sales and Marketing Manager for Howell Packaging.

ANNUAL MEETING:

The Annual Meeting of the Company will be held on Friday, April 25th, 1980 at Howell Packaging, 3230 Mainway Avenue, Burlington. We look forward to seeing as many shareholders as possible at that time.

It is with sincere appreciation that the Board of Directors acknowledges the contribution of management and staff during the year, and give special recognition to Mr. Donald Smith, Vice-President and General Manager, Ontario Flour and Grain Divisions, and Mr. John R. McPhee, Vice-President, Finance, and Secretary Treasurer who attained 30 years service with the Company in 1979.

Respectfully submitted on behalf
of the Board of Directors

Howa Campbell

President
March 20, 1980



Dover Industries Limited

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Accounts receivable	
Inventories (Note 2)	
Prepaid expenses	

FIXED ASSETS:

Land	
Buildings	
Machinery and equipment	

Less: Accumulated depreciation

Accounts receivable, secured by mortgages	
Excess of cost of investment in subsidiary over net assets acquired, less amortization	

LIABILITIES

CURRENT LIABILITIES:

Bank indebtedness	
Accounts payable and accrued liabilities	
Income taxes payable	
Dividends payable	
Current portion of long-term debt	

Long-term debt (Note 3)	
Deferred income taxes	

SHAREHOLDERS' EQUITY

CAPITAL STOCK-

AUTHORIZED-

105,000 6% cumulative preferred shares of a
par value of \$10 each redeemable at par
3,000,000 common shares without par value

ISSUED-

102,626 preferred shares	
856,920 common shares	

Retained earnings

APPROVED BY THE BOARD:

Mona Campbell Director

John R McPhie Director

December 31

1979	1978
\$ 5,114,234	\$ 4,797,316
7,673,722	6,459,516
225,176	237,228
13,013,132	11,494,060
181,432	156,432
4,080,533	3,956,569
10,335,701	9,723,815
14,597,666	13,836,816
7,740,134	7,030,300
6,857,532	6,806,516
185,000	155,000
20,969	27,958
\$20,076,633	\$18,483,534
\$ 4,927,160	\$ 5,057,973
2,219,845	1,882,954
391,313	258,980
15,392	15,394
57,938	54,147
7,611,648	7,269,448
636,035	693,973
1,475,000	1,200,000
1,026,260	1,026,260
71,750	71,750
1,098,010	1,098,010
9,255,940	8,222,103
10,353,950	9,320,113
\$20,076,633	\$18,483,534

CONSOLIDATED STATEMENT OF INCOME

Sales (Note 4)	
Cost of Sales	
Gross margin	
Selling, general and administrative expenses	
Income before taxes	
Income taxes	
Net income for the year	
Net income per common share	

Year ended December 31

1979	1978
\$47,165,156	\$39,955,913
39,964,580	33,835,203
7,200,576	6,120,710
4,447,319	3,767,590
2,753,257	2,353,120
1,058,000	836,000
\$ 1,695,257	\$ 1,517,120
\$1.91	\$1.70

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained earnings at beginning of year	
Net income for the year	
Dividends declared:	
Preferred — 60¢ per share	
Common — 70¢ per share in 1979; 53.2¢ in 1978	
Retained earnings at end of year	

Year ended December 31

1979	1978
\$ 8,222,103	7,222,440
1,695,257	1,517,120
9,917,360	8,739,560
61,576	61,576
599,844	455,881
661,420	517,457
\$ 9,255,940	\$ 8,222,103



CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31	
	1979	1978
Financial resources were provided by:		
Net income for the year	\$1,695,257	\$1,517,120
Charges not requiring a current outlay —		
Depreciation	840,359	588,169
Deferred income taxes	275,000	320,000
Amortization of excess of cost of investment in subsidiary over net assets acquired	6,989	6,989
Provided by operations	2,817,605	2,432,278
Financial resources were required for:		
Additions to fixed assets, net	891,375	2,222,667
Dividends to shareholders	661,420	517,457
Reduction of long-term debt	57,938	54,147
Increase in accounts receivable secured by mortgages	30,000	5,000
	1,640,733	2,799,271
Increase (decrease) in working capital	1,176,872	(366,993)
Working capital at beginning of year	4,224,612	4,591,605
Working capital at end of year	\$5,401,484	\$4,224,612

AUDITORS' REPORT To the Shareholders of Dover Industries Limited:

We have examined the consolidated balance sheet of Dover Industries Limited as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1979 and the results of its operations

and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Canada
February 15, 1980

PRICE WATERHOUSE & CO.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1979

1. ACCOUNTING POLICIES:

A summary of the significant accounting policies followed by the Corporation is set forth below.

Consolidation of subsidiary —

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary. All significant inter-company transactions have been eliminated.

Inventories —

Inventories are valued principally at the lower of average cost and net realizable value.

Fixed assets —

Land, buildings, machinery and equipment are carried at cost, less accumulated depreciation. Expenditures for plant and equipment renewals and improvements are capitalized. The cost of disposals and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Depreciation is computed on the straight-line method at rates estimated to amortize the cost of the assets over their estimated useful lives, principally as follows:

Buildings	2 1/2-10%
Machinery & equipment	10%
Automotive equipment	24%

Excess of cost of investment in subsidiary over net assets acquired —

The excess of purchase cost over net assets acquired is being amortized over four years to 1982.

Income taxes —

The Corporation follows the tax allocation basis of accounting for taxes on income whereby deferred income taxes are provided on all significant timing differences between accounting and taxable income, principally depreciation. Investment tax credits are accounted for on the flow-through method.

2. INVENTORIES:

Inventories consist of the following—

	1979	1978
Inventory of grains .	\$2,676,008	\$2,850,989
Other raw materials .	1,532,216	982,778
Work-in-process . . .	952,793	588,622
Finished goods	2,512,705	2,037,127
	<u>\$7,673,722</u>	<u>\$6,459,516</u>



3. LONG-TERM DEBT:

Long-term debt consists of—

	1979	1978
7% first mortgage sinking fund bonds, Series B repayable in equal annual instalments covering principal and interest and maturing on June 1, 1987	\$ 693,973	\$ 748,120
Less: Principal repayments due within one year	57,938	54,147
	<u>\$ 636,035</u>	<u>\$ 693,973</u>

Principal repayments of long-term debt for the next five years are as follows —

1980—\$57,938
 1981—\$61,993
 1982—\$66,332
 1983—\$70,976
 1984—\$75,944

Interest expense on long-term debt amounted to \$50,156 in 1979 and \$56,615 in 1978. In addition, other net interest expense amounted to \$612,990 in 1979 and \$246,288 in 1978.

4. GROSS REVENUE BY CLASS OF BUSINESS:

Gross revenue includes the following classes of business —

	1979	1978
Food products	\$35,683,941	\$30,667,674
Packaging materials	11,481,215	9,288,239
	<u>\$47,165,156</u>	<u>\$39,955,913</u>

5. REMUNERATION OF DIRECTORS AND OFFICERS:

Aggregate remuneration of directors and officers for the year was as follows —

	Number	Amount
Directors	15	\$ 29,200
Officers (six of whom are directors)	8	\$375,494

FINANCIAL SUMMARY 1975 TO 1979

	1979	1978	1977	1976	1975
Sales	\$47,165,156	\$39,955,913	\$37,097,127	\$36,042,559	\$34,117,173
Income before taxes	\$ 2,753,257	2,353,120	2,368,263	2,471,932	2,702,306
Income tax provision	\$ 1,058,000	836,000	877,000	1,043,000	1,153,400
Net income	\$ 1,695,257	1,517,120	1,491,263	1,428,932	1,548,906
Earnings retained in business	\$ 1,033,837	999,663	997,800	967,462	1,173,126
Cash flow	\$ 2,817,605	2,432,278	2,087,722	2,086,841	2,299,812
Current assets	\$13,013,132	11,494,060	9,969,859	9,024,652	7,754,044
Current liabilities	\$ 7,611,648	7,269,448	5,378,254	5,277,800	4,493,014
Working capital	\$ 5,401,484	4,224,612	4,591,605	3,746,852	3,261,030
Current ratio	1.7 to 1	1.6 to 1	1.9 to 1	1.7 to 1	1.7 to 1
Plant and equipment (net)	\$ 6,857,532	6,806,516	5,172,018	5,188,439	4,753,686
Shareholders' equity	\$10,353,950	9,320,113	8,320,450	7,322,650	6,355,188
Shares of preferred stock outstanding	102,626	102,626	102,626	102,626	102,626
Shares of common stock outstanding	856,920	856,920	856,920	856,920	856,920
Dividends per preferred share . . .	\$.60	.60	.60	.60	.60
Dividends per common share . . .	\$.70	.532	.504	.467	.367
Net income per common share . .	\$ 1.91	1.70	1.67	1.60	1.74
Cash flow per common share . . .	\$ 3.21	2.77	2.36	2.36	2.61
Common stock equity per share .	\$ 10.88	9.68	8.51	7.35	6.22

Years 1975 and 1976 adjusted for 3 for 1 stock split in 1977.

Dover is in the consumer corner

Dover Industries consumer brands are household names in all parts of Canada. The increasing range of products are found on store shelves, dairies, restaurants, caterers — almost everywhere that food is purchased or consumed.



In 1968 Dover Mills opened North America's most modern flour mill in the Maritime provinces. Today the company's household flour lines occupy a number two position in the market. The Dover brand is respected as high-quality flour for home baking.

Since 1909 Robinson Ice Cream cones have been popular with young and old alike across the country. Brands and varieties such as "Magic" Sugar Cones, Home Pack Cake Cones and Cups have been developed over the years to meet changing tastes.

"Robinson" and "Carousel" plastic drinking straws are seen in many outlets throughout the country, where soft drinks and milk shakes are sold.

Robinson's "Sturdy" plastic knives, forks and spoons participate in Canada's expanding "out of home" leisure market. New plastic forming facilities have been added to Robinson Cone's Hamilton plant to meet the growing demand for these products.

AR42



QUARTERLY REPORT
TO SHAREHOLDERS

SIX MONTHS ENDED
JUNE 30, 1980

Dover Industries Limited

TO OUR SHAREHOLDERS

EARNINGS:

Net earnings for the six months ended June 30, 1980 were \$1,052,943 compared with \$972,784 last year which, after payment of dividends on preferred shares, were \$1.19 per common share, an increase of \$.09 from \$1.10 last year.

SALES:

Sales for the six months were \$27,347,230 compared with \$22,984,942 last year, an increase of 19%. Sales were higher at all divisions.

WORKING CAPITAL:

Working capital increased \$442,783 during the six months from \$5,401,484 to \$5,844,267.

INCOME TAXES:

Income taxes for the three months ending June 30th are higher due to addition of the new 5% surcharge on federal taxes for the six month period.

Norm Campbell

President

Hamilton, Canada,
July 31, 1980.

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 1980 (unaudited)

CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	1980	1979	1980	1979
Sales	\$ 14,977,261	\$ 12,731,170	\$ 27,347,230	\$ 22,984,942
Cost of Sales	13,045,838	10,932,365	23,771,740	19,891,011
Gross margin	1,931,423	1,798,805	3,575,490	3,093,931
Selling, general and administrative expenses	907,477	805,911	1,764,047	1,486,647
Income before taxes	1,023,946	992,894	1,811,443	1,607,284
Income Taxes	437,500	394,200	758,500	634,500
Net Income for the period	\$ 586,446	\$ 598,694	\$ 1,052,943	\$ 972,784
Net Income per common share	\$.66	\$.68	\$ 1.19	\$ 1.10

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Three Months Ended June 30		Six Months Ended June 30	
	1980	1979	1980	1979
Financial resources were provided by:				
Net Income for the period	\$ 586,446	\$ 598,694	\$ 1,052,943	\$ 972,784
Charges not requiring a current outlay—				
Depreciation	231,500	226,450	441,093	420,176
Deferred income taxes		75,000		150,000
Provided by operations	817,946	900,144	1,494,036	1,542,960
Financial resources were required for:				
Additions to fixed assets, net	141,134	312,283	658,550	526,903
Dividends to shareholders	165,355	165,355	330,710	330,710
Reduction of long-term debt	61,993	57,937	61,993	57,937
	368,482	535,575	1,051,253	915,550
Increase in working capital	449,464	364,569	442,783	627,410
Working capital at beginning of period	5,394,803	4,487,453	5,401,484	4,224,612
Working capital at end of period	\$ 5,844,267	\$ 4,852,022	\$ 5,844,267	\$ 4,852,022